

VZCZCXRO7161
PP RUEHGH RUEHVC
DE RUEHCN #0309/01 3500206
ZNR UUUUU ZZH ZDS
P 160206Z DEC 09
FM AMCONSUL CHENGDU
TO RUEHC/SECSTATE WASHDC PRIORITY 3639
INFO RUCPDOG/USDOC WASHDC PRIORITY 0038
RUEHOO/CHINA POSTS COLLECTIVE
RUEHCN/AMCONSUL CHENGDU 4355

UNCLAS SECTION 01 OF 02 CHENGDU 000309

(C O R R E C T E D C O P Y - PARA 02 PORTION MARKINGS)

SENSITIVE
SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [ETRD](#) [EINV](#) [EAGR](#) [PREL](#) [CH](#) [VM](#)

SUBJECT: VIETNAM CONSUL IN KUNMING FEARS HANOI MIGHT BE LEFT BEHIND
IN CHINA TRADE DUE TO SLOW HIGHWAY DEVELOPMENT

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¶1. (U) This cable contains sensitive but unclassified
information - not for distribution on the Internet.

¶2. (SBU) SUMMARY: The development of highway links between Yunnan province and Vietnam is moving slowly on the Vietnam side, a Vietnam Consul in Kunming told Consular Officer. This slowness, and the earlier completion of the Bangkok-Kunming highway (and corresponding expansion of Thailand-Yunnan trade), made the Consul concerned that Vietnam would be "left behind" other ASEAN countries in its trade with China. A number of U.S. food exporters are interesting in developing a cold storage logistical chain when the road from Haiphong to Kunming is completed. Tran also discussed Vietnam-China border trade and current demand for visas to Vietnam in Southwest China. END SUMMARY.

Vietnam's Highway Links to Kunming

Moving Forward, But Slow Progress is a Concern

¶3. (SBU) On November 18, ConOff met with Vietnam Consul Tran Kim Bang at the Vietnam Consulate General in Kunming, Yunnan Province. While the primary purpose of the visit was to discuss consular issues in Southwest China, ConOff and Tran also discussed Kunming's highway links with Vietnam. According to press reports, in 2007 the Asian Development Bank approved a 1.1 billion USD loan to Vietnam to develop a road from Kunming to Haiphong, Vietnam, which is the closest deep water port to Kunming. Press reports state that the planned highway would cut the trip from Kunming to Hanoi from 2-3 days to less than a day, and that the planned completion date for the road was 2012. According to recent information posted on the Asian Development Bank's Greater Mekong Subregion website, the Chinese side of the Kunming-Haiphong highway should be completed in 2010.

¶4. (SBU) According to Tran, increasing road and rail links between Vietnam and Yunnan province have been hampered by the cost of improving road infrastructure in Vietnam. He stated that both sides have the desire to improve highway links between Yunnan and Vietnam, but that he did not know when the Kunming-Haiphong project would be completed. According to Tran's colleagues in Hanoi, funding concerns may be an issue in

completion of the Kunming/Haiphong highway. In July, 2009, the Vietnam Expressway Corporation failed for the fourth time in a month in a corporate bond sale, Tran said.

15. (SBU) Tran also stated his concern that the slowness in completing the Kunming to Haiphong highway might have a negative impact on Vietnam, causing it to become "left behind" other ASEAN neighbors in its trade with China.

Vietnam's Trade with China: Promising, Focused on Border

16. (SBU) Tran stated that Vietnam has a number of advantages in trade with China, including geographic location, and a positive, on-going dialogue between leaders of Vietnam and China on economic ties. Trade between Vietnam and Yunnan province, according to Tran, is currently focused at Vietnam/China border cities. (Note: According to Chinese press reports, China and Vietnam recently signed an agreement officially demarcating their 1,300-kilometer land boundary, and agreed to further land border cooperation. End Note.)

17. (SBU) Tran said that Yunnan exports a number of agricultural products to Vietnam, and that Vietnam also exports fruit and other agricultural products to Yunnan. Tran also stated that, after the planned road links between Kunming and Vietnam are completed, Yunnan would also be able to import seafood from Vietnam's coast.

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U.S. Ag Exporters Interested in Cold Storage Logistical Chain

18. (U) According to ConGen Chengdu's Senior Commercial Officer (SCO), who was recently posted in Ho Chi Minh City, development of a cold storage logistical chain from Haiphong to Kunming was hampered by the lack adequate highway infrastructure. A number of U.S. food exporters are interesting in developing such a logistics network when the road from Haiphong to Kunming is completed, the SCO said.

Applications for Visas to Vietnam Lower

In Kunming Compared to Vietnam's Other China Posts

9 (SBU) Tran also discussed his office's demand for visas to Vietnam. According to Tran, despite Kunming's proximity to Vietnam, his office in Kunming sees far less demand for visas to Vietnam than Vietnam's Embassy in Beijing and Vietnam's Consulates in Guangzhou, Hong Kong and Nanning. Tran stated that the Vietnamese Consulate General in Kunming processes about 50 Vietnamese visas a day, and that many of the applicants are third-county nationals who plan to travel from Kunming to Vietnam by bus. Tran attributed the lower demand to Kunming's lower level of economic development compared to China's coastal

regions. Tran stated that last year's global economic downturn depressed demand for Vietnamese visas, but that he expects longer-term growth in visa demand.

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